

THE WELLCOME TRUST

1995

ANNUAL REPORT AND ACCOUNTS



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THE WELLCOME TRUST

Administrative Details

The Trust was created by the Will of the late Sir Henry Solomon Wellcome who died on 25 July 1936. After providing for certain bequests, the residue of the Estate was left for the following charitable purposes which are registered under the Charities Acts (Registration Number 210183)

- the Research Undertaking Charity for the advance of Medical Research
- the Museum and Library Charity for the support of museums and libraries for the study of sciences allied to medicine or their history.

The Trust is based at 183 Euston Road, London NW1 2BE. The Trustee is The Wellcome Trust Limited, a company limited by guarantee, whose directors, known as Governors, are given below.

Board of Governors

Sir Roger Gibbs (*Chairman*)
Dr Julian Jack MB, PhD (*Deputy Chairman*)
Sir Peter Cazalet
Professor Sir David Weatherall MD,
FRCP, FRS
Professor Sir Hans Kornberg ScD,
Hon FRCP, FRS (*retired 14 January 1995*)

Professor Roy Anderson, FRS
Professor Christopher Edwards MD, FRCP,
FRCPEd, FRSEd
Professor Sir John Gurdon DPhil, FRS
(*appointed 16 January 1995*)
Sir David Cooksey ~~FRS~~
(*appointed 1 June 1995*)

Board of Management

Dr B M Ogilvie ScD, FIBiol, FRCPath
(*Director*)
Mrs L Arter (*Director of Grants Administration*)
Mr E J Freeman BA, ALA
(*Director of History of Medicine*)
Dr D Gordon MA, MB, FRCP
(*Programme Director*)

Dr R E Howells PhD, DSc, FIBiol
(*Programme Director*)
Mr A I Macgregor FCA, FRSA (*Director of Finance*)
Mr G Meredith (*Director of Personnel and Services*)
Dr M J Morgan PhD (*Programme Director*)
Dr L H Smaje MB, PhD, FIBiol
(*Programme Director*)

Bankers

Midland Bank plc
31 Holborn, London EC1N 2HR

Solicitors

Cameron Markby Hewitt
Sceptre Court
40 Tower Hill, London EC3N 4BB

Auditors

Binder Hamlyn
20 Old Bailey, London EC4M 7BH

Investment managers and advisers

Baillie Gifford & Co
Barclays de Zoete Wedd Investment Management
Cambridge Associates Inc.
Cluttons
Fleming Investment Management Limited
Gartmore Investment Limited
Hambros Bank Limited
Healey & Baker
Henderson Financial Management Limited
Morgan Stanley Asset Management Inc.
Newton Investment Management Limited
PDFM Limited
Schroder Investment Management Limited
Watson Wyatt

CHAIRMAN'S STATEMENT

The year to 30 September 1995 was as interesting and stimulating as any in the history of The Wellcome Trust. On the scientific side, covered elsewhere in this report, there continued to be many exciting developments in the year under review.

The investment portfolio of the Trust rose from £5.5 billion to £7.4 billion. Since the end of the Trust's year, it has risen further to £7.8 billion. There are two main reasons for this quite extraordinary growth – strong world stockmarkets and Glaxo's bid for Wellcome plc. As a result of the increase in the Trust's assets, its income, in the past year, is £83 million higher at £333 million. However, it must be stressed that this figure was somewhat inflated for reasons explained later in this report.

On 20 January 1995, the Trust received an unsolicited approach from Glaxo plc to buy its remaining holding of 39.6% of the share capital of Wellcome plc at a price of £10.25 a share (70% in cash and 30% in Glaxo Wellcome shares). Since the bid, the shares of Glaxo Wellcome have improved substantially from £6.43 to £9. The proceeds generated from the sale are now worth some £3.8 billion, £1.6 billion more than the valuation of the Trust's holding in the Wellcome company at the start of the financial year.

It was with considerable sadness that the Governors decided to sell the remaining holding in Wellcome plc especially after such a long and close relationship with that company. The Trust received what it believed to be a very full price and in the interests of its beneficiaries felt it had no alternative but to accept the offer.

I would, of course, like to take this opportunity of once again thanking all those who worked for the Wellcome company since its inception in the latter part of the last century. They created a splendid institution that achieved so much, as well as serving its shareholders well, particularly since going public in 1986. The Trust is, of course, most grateful to all of them. The new company, Glaxo Wellcome, of which the Wellcome Trust owns 4.7%, is now not only

the largest company in this country but also the leading pharmaceutical company in the world.

As I said earlier, the Trust's investment portfolio is now valued at £7.8 billion. Its holding in Glaxo Wellcome represents 19% of the total, 7% is in property and the remaining 74% in a broadly based international portfolio. In July 1995 the Trust contracted to buy The South Kensington Estate from Henry Smith's Charity for £283 million. We believe the purchase of this important fifty-four acre residential London estate will be a fine long-term investment and would give our founder, Sir Henry Wellcome, a great lover of London, particular pleasure.

Sir Hans Kornberg retired from the Trust in January. Since he became a Governor in 1990, Sir Hans has been a most lively and dedicated contributor to the Trust's affairs. We already miss him and his developed sense of humour! Sir Hans is now continuing his distinguished career in the United States. We wish him and Lady Kornberg every happiness in the years ahead.

Sir John Gurdon, the renowned cell biologist, became a Governor of the Trust earlier this year. We are delighted he has joined the Trust and that he was awarded a knighthood in the Birthday Honours this summer.

We are also very pleased that Sir David Cooksey became a Governor of the Trust in June. Sir David is on the Court of the Bank of England and has held many important appointments, including being Chairman of the Audit Commission.

In conclusion, I would like to add that the Trust's wide variety of activities within the scientific and medical world becomes no less demanding. We are most grateful to our Director, Dr Bridget Ogilvie, and all our staff for the contribution each of them has made in another challenging year.

SIR ROGER GIBBS
15 December 1995

TRUSTEE'S REPORT

for the year to 30 September 1995

Objectives and Policy

The objectives of the Trust are to support research in the biomedical sciences and in the history of medicine. The Trust supports the research work of academic staff in universities, medical and veterinary schools and other institutions of higher education. Research funded ranges from the basic sciences related to medicine to the clinical aspects of medicine and veterinary medicine.

The Trust aims to support and maintain the strength of biomedical and historical research by providing individual researchers of the highest quality with the resources they need to pursue their subject. In recent years, research and the careers of research workers in universities have been undermined by dependence upon short-term grants; the Trust has therefore made a commitment to increase its longer-term support for research and has redefined its policy of personal support for individuals through a fellowship scheme which spans every stage of their careers.

The Governors review their policy regularly in response to proposals from their advisory panels and professional staff. At these reviews the Governors decide how much of the income will be available to each subject and policy area during the following year. In addition, the Governors meet monthly to implement policy and to consider special cases.

Support is provided in these general categories

- short-term and longer-term awards (project and programme grants) usually for three to five years
- research training and career development: support is provided for individuals at all stages of their careers
- funds for travel abroad for collaborative research, meetings and symposia
- awards for equipment
- capital grants for buildings.

In addition to grant funding, the Trust also undertakes directly a number of activities designed to assist those researching into medical science and history. The Wellcome Institute for the History of Medicine provides library and academic resources for students of the history of medicine and allied subjects. The Wellcome Centre for Medical Science, in its role of promoting the public understanding of science, encompasses an exhibition, an information centre, a programme of scientific meetings, a library of photographs and films and other activities. Both The Wellcome Institute and The Wellcome Centre are open to the general public.

Through its Policy Research in Science and Medicine unit the Trust seeks to improve policy-making in biomedical science by systematic research into the most effective means of funding.

Organization

The Governors have a well-established system of expert Panels and Interest Groups to advise them on which applications to fund and on policy issues in various fields. Grants are awarded in competition with other applications and by peer review. Applicants must complete a formal application which is then sent to reviewers who provide a written review. Applications together with the reviews are then assessed in competition by committees which consist of experts in the field. In the past year, the Trust received 5,743 reviews from a total of 3,728 reviewers, 25% from outside the UK. Use of individual reviewers is monitored, and 70% of all reviewers were used only once in the year, and only 60 were used more than six times.

Four Panels make recommendations for project and programme grants and certain fellowship schemes. All have an external Chairman and a scientific Governor among their members.

TRUSTEE'S REPORT

for the year to 30 September 1995 (continued)

■ The Mental Health and Neuroscience Panel, which has 13 other external members, considers grants in the field of mental health and neurosciences to further understanding of the brain, nervous system and behaviour. There is a subcommittee constituted to consider applications related to vision, which has eight external members and one Governor.

■ The Molecular and Cell Panel considers grants in the general area of molecular and cell biology, including biochemistry, molecular immunology, developmental biology and genetics. It has 14 external members in addition to a Governor and an external Chairman.

■ The Infection and Immunity Panel, which has 13 external members, including the Chairman, and one Governor, considers proposals in fundamental and applied research relating to infectious diseases, mechanisms of immunity and allergy, in addition to the study of disease vectors, chemotherapy and vaccine development.

■ The Physiology and Pharmacology Panel has a particularly large remit ranging from mathematical modelling, to the study of membrane channels, to epidemiology. It is concerned to enable the results of reductionist biology to be interpreted effectively in an integrative manner. Its membership consists of 11 external members including the Chairman and one Governor.

In addition to these panels the Trust has created an Equipment Working Party, with one Governor and 11 external members including the Chairman, which is the vehicle for Trust decision-making on applications for relatively expensive items of equipment.

The Trust has also established a number of interest groups to advise the Governors on funding in certain specific fields or schemes of support.

■ The Clinical Interest Group, with two Governors, one of whom chairs it, and seven external members, has as its primary responsibility support for the research training and research careers of medical and dental graduates.

■ The Tropical Medicine Interest Group, on which two Governors and nine external members serve, advises the Governors on a wide range of issues relating to the support of research in tropical medicine. These include training awards for scientists interested in research in this area, funding of centres for Clinical Tropical Medicine as UK bases to support researchers engaged in projects overseas, and the management and assessment of the Trust's Field Units in tropical countries.

■ The Veterinary Medicine Interest Group has 10 external members and is chaired by a former Governor. It advises the Governors about veterinary matters in general and is responsible for the Trust's schemes for research training and career development of veterinary graduates.

■ The International Interest Group, which is chaired by a Governor and has nine external members, oversees the Trust's programme of international exchange fellowships, collaborative schemes, and the Senior Fellowship schemes in Australia, New Zealand and South Africa. Through this group, the Trust is in discussion with the Governments of these three countries concerning a potential increase in Trust support in these areas.

■ The Basic Sciences Interest Group, comprising two Governors, one of whom chairs it, and seven external members, is responsible for the Trust's career development schemes for basic biomedical scientists.

■ The Genetics Interest Group, which has a Governor as Chairman plus 11 external

TRUSTEE'S REPORT

for the year to 30 September 1995 (continued)

members, advises the Governors on any matters germane to research in and involving genetics. Of chief concern are two major centres, the Sanger Centre at The Wellcome Trust Genome Campus at Hinxton Hall, near Cambridge, and the Wellcome Trust Centre for Human Genetics at Oxford. The Group also concerns itself with policy matters related to genetics such as conflicts between private and public interests and the need to consider ethical aspects, as well as the public understanding of human genetics.

During the year, the Trust established a group to advise the Governors on how the Trust might provide funding for research on the rapid changes occurring throughout the world in the number and age structure of the human population. The sum of up to £50 million has been allocated to this programme over five years and the Trust will be advised by a Population Studies Panel chaired by a Governor assisted by 11 external members.

All of the above panels and interest groups report directly to the Scientific Committee, which is a committee of the Board of Governors.

Support for History of Medicine is managed via a Grants and Units Panel and a Library Panel. The former comprises seven external members, including the Chairman, and makes awards in competition and manages the Trust's Academic Units in this subject. The Library Panel advises the Governors on the management of the Trust's Library of the History of Medicine. There are four external members on the Library Panel and both it and the Grants and Units Panel report to the History of Medicine Committee, on which two Governors and six external members sit and which reports to the Board of Governors.

The Wellcome Centre for Medical Science has a wide-ranging remit to help medical science to flourish in a number of ways. The Trust's Audiovisual Resources unit, Tropical Medicine Resource, Medical Photographic unit, Information Service and Communication and

Education department all contribute to the overall mission of the Centre. It is managed through a committee on which two Governors and four external members sit and which then reports to the Board of Governors.

There are three further committees

- the Finance Committee, comprising four Governors, the Director and other senior members of the Trust's staff, which has responsibility for all fiscal issues

- the Investment Committee comprises four Governors, two external members and two senior members of staff and is responsible for matters relating to the Trust's investments

- the Estates Committee is responsible for the Trust's investment property portfolio including the South Kensington Estate. It comprises four Governors and two external members together with senior members of the staff.

TRUSTEE'S REPORT

for the year to 30 September 1995 (continued)

Review of Activities

During the year, 2,916 new grant applications were considered, of which some 1,100 were approved, 37.5% of the number requested. In addition to these new awards, some 1,000 smaller requests for travel grants, vacation scholarships and extensions to existing grants were also considered together with nearly 5,000 general and preliminary enquiries. The pressure on the Trust's budget is considerable, and is illustrated by the awarding rates for new project grants (see figure 1), which are key to the support of the research work of university staff.

The numbers of university-based research workers who derive their salary from Trust funding is well in excess of 3,000. Of these, approximately one third are funded by five-year grants reflecting the Trust's policy of directing a considerable proportion of its resources into longer-term funding.

Note 2(b) to the accounts shows the grants awarded during the year, analysed by category of award, and note 2(c) lists the top 50 institutions, ordered by aggregate value of grants awarded. Further details of grants awarded are published annually by the Trust and are freely available on request.

Financial Review

The Trust's audited annual accounts for the year to 30 September 1995 are set out on pages 13 to 31 of this report.

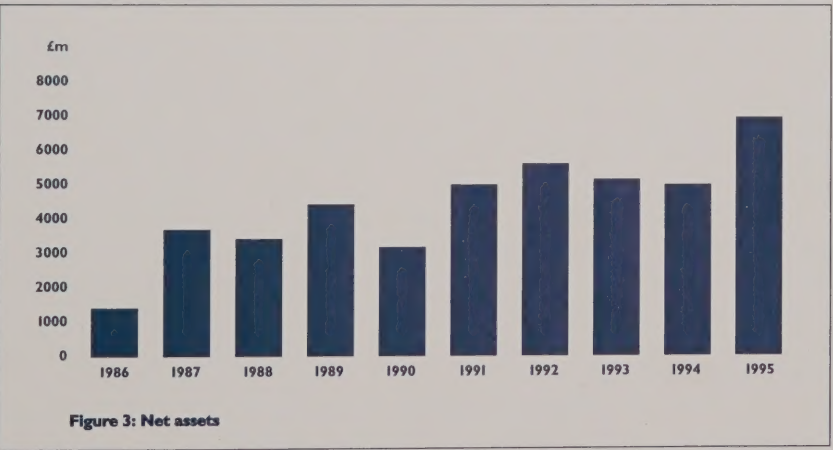
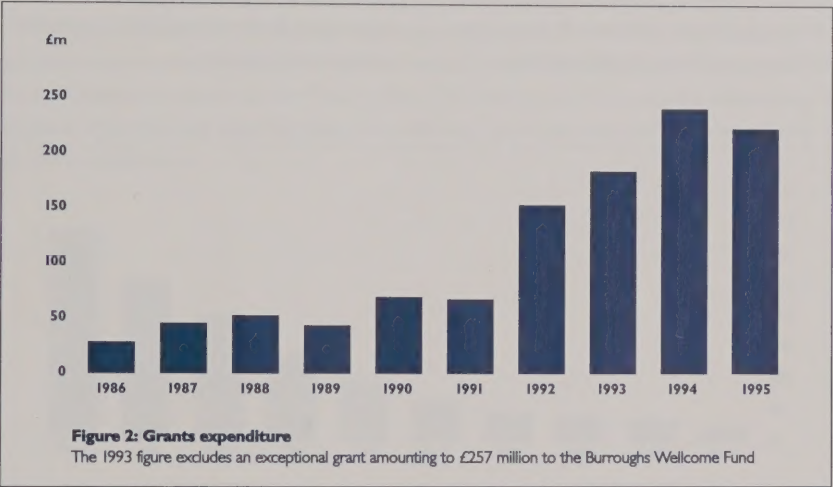
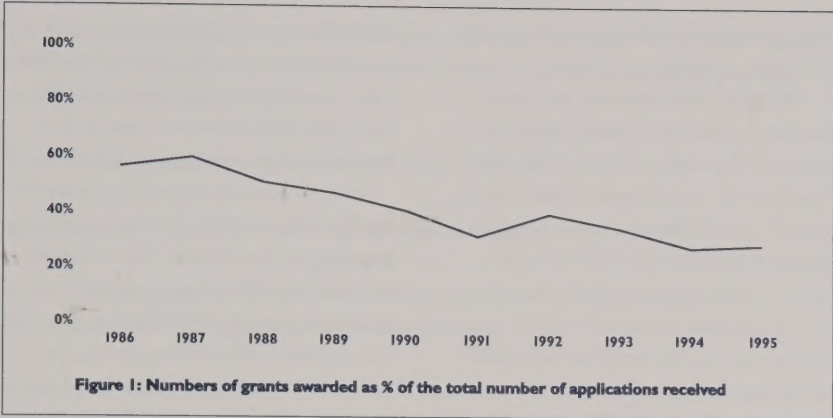
Expenditure approved in support of medical science amounted to £222 million compared with £241 million in the previous year. This reduction in the level of commitment is temporary and reflects the fact that the decisions affecting a number of major grants under consideration towards the end of the year were deferred until the year to 30 September 1996. Expenditure approved in support of the

history of medicine was in excess of £7 million, an increase of almost £1 million over the previous year's level. Figure 2 shows grant expenditure over the past 10 years.

The net asset value of the Trust on 30 September 1995 amounted to £6.98 billion. This compares with a figure of £5.02 billion at 30 September 1994. The major reason for the increase in asset values during the year of £1.96 billion was the sale of the Trust's remaining holding in Wellcome plc which gave rise to a net gain of some £1.37 billion – see note 10(b) to the accounts for the details. The Trust's net asset values for the past 10 years are shown in figure 3.

The assets of the Trust are invested by the Trustee, after taking relevant professional advice, to achieve a good return over the long term and an appropriate balance between capital growth and income, bearing in mind the need to control risk while seeking long-term rewards. In accordance with this policy further investments have been made in property, most notably, in July 1995, with the decision to acquire from Henry Smith's Charity a substantial estate of mixed residential and commercial property in South Kensington, London, valued at some £283 million. By 30 September 1995 the Trust had acquired £188 million of the estate, with a further £10 million acquired after the year end and prior to the writing of this report. Further acquisitions are dependent on whether eligible tenants exercise their rights to purchase the freeholds under the Landlord and Tenant Act 1987. Other commercial property, not on the South Kensington Estate, purchased during the year amounted to £105 million.

The Trust's total investment portfolio is widely spread over a considerable number of geographical areas and sectors and comprises equities, fixed interest stocks and venture capital funds in addition to real property holdings. All investments are made in accordance with the powers given in Sir Henry Wellcome's Will, as modified by the High Court. Details of the



TRUSTEE'S REPORT

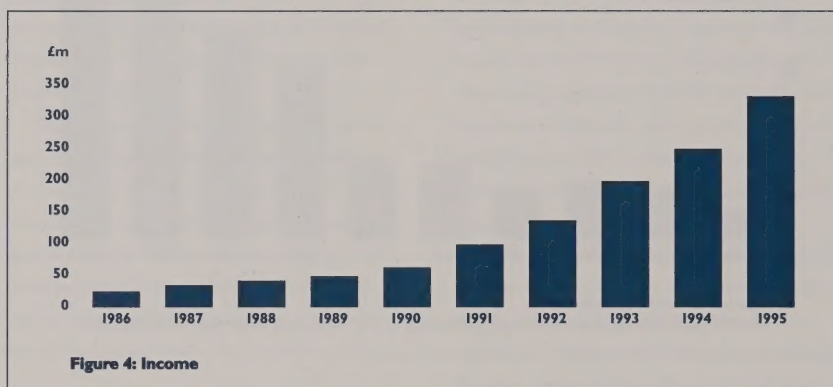
for the year to 30 September 1995 (continued)

Trust's investment portfolios are given in note 10(c) to the accounts.

While the Trust's investment portfolio is invested to achieve best available total returns (both capital growth and income yield), the Trust's income, comprising dividends, interest received, tax reclaimed and rents, can be comparatively volatile. In 1994/95 the level and proportion of interest-bearing investments (producing greater income but less likely to produce capital gains) was considerably higher than in the recent past. This policy was introduced at the time the Trust received, from the sale of Wellcome shares, £2.5 billion in cash at the end of March 1995 and will be revisited in the very near future. For this and other

reasons the revenue income reported in the accounts amounts to some £333 million, 33% higher than 1993/4, which was in turn 25% higher than the previous year. Figure 4 shows the Trust's income over the past 10 years.

It is inevitable that, against a background of fast increasing income, there may be a delay in increasing the spending rate. The net resources arising of £86 million, before gains and transfers, is unprecedentedly high and the Governors have well-developed plans to use these funds for the support of science and the history of medicine in the immediate future. It continues to be the Trust's policy to seek to achieve growth, in real terms, in its support for science in the long term.



STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Trustee prepares financial statements for each financial year to give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those financial statements, the Trustee

- selects suitable accounting policies and applies them consistently
- makes judgements and estimates that are reasonable and prudent
- states whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue its activities.

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable the Trustee to ensure that the financial statements comply with the Charities Acts. The Trustee is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

to the Trustee of The Wellcome Trust

We have audited the financial statements on pages 13 to 31 which have been prepared on the basis of accounting policies set out on pages 16 and 17.

Respective Responsibilities of the Trustee and Auditors

As described on page 11 the Trustee is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Trust's affairs at 30 September 1995 and its result for the year ended on that date.

BINDER HAMLYN
Chartered Accountants
Registered Auditors
20 Old Bailey
London EC4M 7BH

19 December 1995

STATEMENT OF FINANCIAL ACTIVITIES

for the year to 30 September 1995

		Capital	Distribution	
		1995	1995	1994
	note	£'000	£'000	£'000
INCOMING RESOURCES				
Investment income				
Net rental income			10,839	4,424
Dividends and interest			321,292	244,864
Donations			-	109
Other income			554	477
			<u>332,685</u>	<u>249,874</u>
RESOURCES EXPENDED				
Net grants committed during the year	2		218,691	237,580
Direct activities	3		6,217	5,686
Support costs	4		15,451	12,291
Administration costs	5		6,738	4,626
			<u>247,097</u>	<u>260,183</u>
Net resources arising before gains and transfers			85,588	(10,309)
Gains/(losses) on investments				
Investment properties	10(a)	(8,381)		(1,657)
Wellcome plc	10(b)	1,369,620		(159,774)
Other quoted investments	10(c)	510,229		15,202
Unquoted investments	10(d)	10		-
		<u>1,871,478</u>		<u>(146,229)</u>
Currency exchange gains/(losses)		10,521		(2,454)
VAT recovered on share offer expenses		97		1,385
		<u>1,882,096</u>	<u>85,588</u>	<u>(157,607)</u>
Transfers	1(h)	85,588	(85,588)	-
Balance brought forward at 1.10.94		5,015,618	-	5,173,225
Balance carried forward at 30.9.95		<u>6,983,302</u>	<u>-</u>	<u>5,015,618</u>

There are no other gains or losses apart from those recognized above.

All income is derived from continuing activities.

BALANCE SHEET

as at 30 September 1995

	note	1995 £'000	1995 £'000	1994 £'000	1994 £'000
Fixed assets					
Freehold land and buildings	9		105,872		105,209
Investment assets					
Investment properties	10(a)	407,051		120,842	
Wellcome plc	10(b)	-		2,231,682	
Other quoted investments	10(c)	6,535,360		2,825,245	
Unquoted investments	10(d)	27,506		4,918	
			6,969,917		5,182,687
Debtors	11	127,726		75,614	
Term deposits and cash		429,839		280,608	
		557,565		356,222	
Creditors falling due within one year	12	381,058		308,335	
Net current assets			176,507		47,887
Total assets less current liabilities			7,252,296		5,335,783
Creditors falling due after one year	13		268,994		320,165
			6,983,302		5,015,618
Capital fund			6,983,302		5,015,618

The Annual Report on pages 3 to 11 and the accounts on pages 13 to 31 were approved by The Wellcome Trust Limited, as Trustee, on 18 December 1995 and signed on its behalf by

Sir Roger Gibbs

Dr Julian Jack

CASH FLOW STATEMENT

for the year to 30 September 1995

	1995 £'000	1995 £'000	1994 £'000	1994 £'000
Income received		310,502		222,756
Operations				
Grants paid	207,919		178,130	
Acquisitions and improvements to premises	2,636		13,212	
Other outflows	37,681		24,884	
		(248,236)		(216,226)
Investments				
Net receipts from disposal of shares in Wellcome plc	2,461,168		-	
Receipts from sale of investments	3,311,555		1,487,303	
Payments to acquire investments	(5,685,758)		(1,582,295)	
		86,965		(94,992)
Increase/(decrease) in term deposits and cash		149,231		(88,462)

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995

I. Accounting Policies

(a) Historical cost convention

Except where otherwise stated these financial statements have been prepared using the historical cost convention.

(b) Income

Income is recognized on an accruals basis.

(c) Grants

Grants are provided in full when awarded.

(d) Direct activities

Direct activities expenditure comprises expenditure, other than grants, incurred on activities undertaken directly by the Trust in pursuit of its charitable objectives.

(e) Support costs

Support costs are costs incurred in supporting both direct activities and the administration of grants.

(f) Administration costs

Administration costs are those incurred in connection with the administration and management of the charity. They include the costs of the Trustee, the Director and the management of the Trust's assets.

(g) Pension costs

The Trust operates two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held in funds separate from those of the Trust and administered by their own trustees. Contributions to the schemes are charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the Trust. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

(h) Fund accounting

In accordance with the powers conferred by the Will of Sir Henry Wellcome, the Trustee is empowered to determine what monies shall be regarded as capital and what as income and if thought fit to apply income either to meet revenue costs or for any capital purposes.

All income arising from investments is credited to the Distribution fund, which is an unrestricted fund. Capital gains and losses, both realized and unrealized, are taken to the Capital fund. Where there arises a deficit on the Distribution fund, the Trustee exercises its powers under the Will to transfer sufficient funds from the Capital fund to meet the overspend. Any surplus arising on the Distribution fund is similarly transferred to the Capital fund for investment for use in future years.

(i) Fixed assets

Freehold land and buildings in use by the Trust are included in the balance sheet at cost less accumulated depreciation. Freehold buildings are depreciated at the rate of 2% per annum. The costs of the leasehold improvements are depreciated over the term of the right of use.

Historic assets, comprising collections of books and artefacts of scientific and historical interest, are not capitalized as, in the view of the Trustee, they are inalienable.

Other assets, which are not significant, are accounted for on a renewals basis.

(j) Investment properties

Investment properties are included in the balance sheet at valuation. Where properties have been acquired close to the balance sheet date, the valuation is at cost; otherwise the valuation is established by reference to professional advisers.

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

I. Accounting Policies (continued)

(k) Wellcome plc

In January 1995 Glaxo plc announced an offer for the entire issued share capital of Wellcome plc. The offer was accepted by the Trust which at that time held some 40% of Wellcome's issued share capital. The profit on the disposal of these shares, net of all costs connected with the offer, has been taken to the Capital fund. Under the terms of the offer the Trust acquired £722 and 47 Glaxo shares for every 100 Wellcome shares. In arriving at the profit on disposal of the Wellcome shares these new shares were valued at mid-market value on the day they were received – see note 10(b).

Glaxo plc subsequently changed its name to Glaxo Wellcome plc. Shares in Glaxo Wellcome plc held at the year end are included in quoted investments at the mid-market value at the balance sheet date.

(l) Quoted investments

Quoted investments are stated at mid-market value at the balance sheet date. Realized and unrealized profits (less losses) are taken to the Capital fund.

(m) Futures contracts

Futures contracts held at the balance sheet date are accounted for by including the costs, and market values, of the underlying assets under the appropriate investment heading, and reducing cash balances.

(n) Unquoted investments

Unquoted investments are valued by the Trustee, based on recommendations from its investment advisers.

(o) Profits and losses on foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the rate ruling at the balance sheet date. Income and expenditure items in foreign currencies are translated at an average rate for the appropriate period. All profits and losses on exchange, realized and unrealized, are reflected in the Statement of Financial Activities.

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

2. Grants

(a) Grants committed not yet paid

	1995 £'000	1994 £'000
Commitments at beginning of the year	604,161	552,854
Grants committed during the year	223,595	241,988
Previous years' grants no longer required	(4,904)	(4,408)
Grants paid during the year	(207,919)	(178,130)
Currency movement on US\$ denominated grant	178	(8,143)
Commitments at end of the year	615,111	604,161
Falling due within one year	346,117	283,996
Falling due after one year	268,994	320,165
	615,111	604,161

The timing of payments against grants awarded is largely dependent upon the submission of claims from the receiving institution. The division of grant liabilities between current liabilities and long-term liabilities is therefore not certain and the division shown in the balance sheet is merely indicative.

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

2. Grants (continued)

(b) Grants awarded during the year are analysed by the Trustee as follows

	1995	1994
	£'000	£'000
Neurosciences	18,449	20,093
Infection and immunity	21,320	18,061
Tropical medicine and infectious diseases	5,582	3,203
Molecular and cell biology	30,584	30,238
Physiology and pharmacology	14,842	15,203
Veterinary	2,226	2,789
Career support – Clinical	11,676	14,758
Career support – Basic sciences	19,040	16,039
Genetics	1,697	2,662
International	8,811	7,096
Equipment grants	8,030	8,876
Building grants	66,025	93,315
Other schemes	3,600	1,824
History of medicine	4,583	3,734
Understanding of science	571	328
Supplementation of grants following national pay awards	6,559	3,769
	223,595	241,988
Less: grants awarded in previous years no longer required	(4,904)	(4,408)
	—	—
Net grants committed during the year	218,691	237,580

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

2. Grants (continued)

(c) Grants awarded during year analysed by recipient

Although grants are awarded in support of particular individuals and their research, the award is normally made to the host institution. The exception is small grants given for the purpose of travel which are awarded directly to the individuals. Grants awarded during the year are analysed by recipient institutions as follows

	1995 £'000	1994 £'000
University of Cambridge	27,421	16,617
University of Oxford	27,021	46,259
University College London	16,650	13,445
University of Edinburgh	16,341	6,684
Science Museum	15,076	200
Hinxton Hall Limited (<i>see note 16</i>)	15,000	-
University of Manchester	6,685	6,601
University of Liverpool	6,082	4,008
Genome Research Limited (<i>see note 15</i>)	5,459	45,000
University of Glasgow	5,069	5,412
University of Dundee	4,821	13,619
University of Leicester	4,564	3,044
University of Bristol	3,970	6,034
Imperial College of Science, Technology and Medicine	3,004	2,039
University of Leeds	2,416	2,468
St Mary's Hospital Medical School	2,367	1,840
University of Bath	2,260	974
University of Newcastle upon Tyne	2,209	2,499
University of Birmingham	2,162	2,682
London School of Hygiene and Tropical Medicine	1,939	1,535
Royal Postgraduate Medical School	1,883	1,737
Institute of Psychiatry	1,843	2,845
United Medical and Dental Schools of Guy's and St Thomas's	1,812	2,431
University of Wales College of Medicine Cardiff	1,690	956
St George's Hospital Medical School	1,587	1,733
King's College London	1,564	1,546
University of Southampton	1,530	1,750
Institute of Neurology	1,377	2,782
University of Nottingham	1,330	1,273
National Heart and Lung Institute	1,279	663
Institute of Ophthalmology	1,158	912
Carried forward	187,569	199,588

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

2. Grants (continued)

	1995 £'000	1994 £'000
Brought forward	187,569	199,588
Charing Cross and Westminster Medical School	1,061	1,367
University of Aberdeen	1,037	2,685
University of Sheffield	1,035	934
University of Sussex	1,015	2,098
Institute of Child Health	933	7,557
King's College School of Medicine and Dentistry	925	471
Birkbeck College London	879	491
University of Warwick	855	595
Trinity College Dublin	824	664
University of East Anglia	672	612
University of Exeter	644	5
University of Melbourne	638	292
Marine Biological Association of the UK, Plymouth	623	62
University of Portsmouth	610	111
Royal Veterinary College	592	611
University of Queensland	560	238
Royal Holloway and Bedford New College	553	-
University of Reading	547	511
University of St Andrews	525	1,345
	202,097	220,237
Grants to individuals	163	222
Other grants (including supplementations)	21,335	21,529
	223,595	241,988

Further details of grants awarded are published annually by the Trust and are freely available on request.

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

3. Direct Activities

The Trustee has approved certain activities, carried out within the Trust, which are designed to assist those researching into medical science and history. The activities on which costs have been incurred or provided are detailed below

(a) Continuing activities

	1995 £'000	1994 £'000
The Wellcome Institute for the History of Medicine	2,861	2,696
The Wellcome Centre for Medical Science	2,171	1,969
Policy Research in Science and Medicine unit	378	376
	5,410	5,041
(b) Projects		
Tropical Medicine Resource	780	552
Other	27	93
	6,217	5,686

4. Support Costs

	1995 £'000	1994 £'000
Employment costs	5,517	4,679
Professional and consultancy fees	295	212
Expenses of advisory committees	217	201
Office expenses	3,543	2,563
Depreciation of freehold buildings and leasehold improvements	1,973	1,920
Accommodation costs	3,906	2,095
Interest payable	-	621
	15,451	12,291

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

5. Administration Costs

	1995	1994
	£'000	£'000
Annuities	7	7
Trustee company fees and expenses	423	370
Employment costs	750	617
Professional fees	1,162	1,148
Auditors' remuneration	46	46
Office expenses	499	273
Investment management charges	3,851	2,165
	<u>6,738</u>	<u>4,626</u>

6. Employee Information

(a) Staff costs

	1995	1994
	£'000	£'000
Salaries and benefits in kind	7,560	6,442
Social security costs	593	521
Pension, death and disability benefits	1,619	1,251
	<u>9,772</u>	<u>8,214</u>
Average number of employees in the year	320	288

These costs are allocated according to the activities of the staff and are therefore included in direct activities (note 3), support costs (note 4) and administration costs (note 5).

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

6. Employee Information (continued)

(b) Emoluments of employees

The numbers of employees whose emoluments (salaries and benefits in kind) fell within the following bands were

	1995	1994
£40,000 – £50,000	13	9
£50,000 – £60,000	5	2
£60,000 – £70,000	3	4
£70,000 – £80,000	1	1
£80,000 – £90,000	1	-
£100,000 – £110,000	-	1
£110,000 – £120,000	1	1
£120,000 – £130,000	1	-

(c) Pension schemes

The Trust operates two funded final salary pension schemes for its employees, The Wellcome Trust Retirement and Death Benefits Plan and The Wellcome Trust Management Pension Scheme. The latter was set up in April 1995 for the senior management of the Trust.

The Wellcome Trust Retirement and Death Benefits Plan was assessed by consulting actuaries in June 1995, using the projected unit method of valuation and the following assumptions

- future investment returns – 8.5% per annum
- future salary increases – 7.0% per annum
- future pension increases – 5.5% per annum.

The actuaries reported that as at 1 June 1995 there was a deficiency in respect of accrued service which is being spread over the 13 years of average remaining service life of employees by an increase of 0.4% to the long-term funding rate. The level of funding was 100% for liabilities of members who have retired and 97% for other liabilities. The net assets of the scheme at 31 May 1995 amounted to £9.4 million. The next actuarial assessment is due in June 1998.

An initial actuarial assessment was prepared for The Wellcome Trust Management Pension Scheme, which confirmed that the assets transferred and the funding rate were sufficient to meet that scheme's liabilities. The first formal actuarial report will be produced within the next 12 months.

Total contributions made to the schemes during the year were £1.5 million (1994: £1.1 million).

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

7. Remuneration of Governors

The Governors who are directors of The Wellcome Trust Limited, the Trustee, received remuneration from that company as follows

	1995 £'000	1994 £'000
Salaries	325	267
Social security costs	33	28
	<u>358</u>	<u>295</u>

There were eight Governors at 30 September 1995 (1994: seven)

The Governors were covered by liability insurance in the year to 30 September 1995 at a cost of £15,523. All costs incurred by The Wellcome Trust Limited are reimbursed by the Trust and are included in the Trustee company fees and expenses in administration costs (note 5).

8. Taxation

The Trust is registered under the Charities Acts and its income and gains, which are applied for charitable purposes, are exempt from UK tax.

The estimated cost of irrecoverable Value Added Tax suffered by the Trust in the year was £1.9 million (1994: £3.5 million).

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

9. Fixed Assets

	Freehold Land £'000	Freehold Buildings £'000	Leasehold Improvements £'000	Total £'000
Cost brought forward 1.10.94	13,142	94,117	1,524	108,783
Additions in year	-	2,627	9	2,636
Cost carried forward 30.9.95	13,142	96,744	1,533	111,419
Depreciation brought forward 1.10.94	-	3,536	38	3,574
Charge for year	-	1,935	38	1,973
Depreciation carried forward 30.9.95	-	5,471	76	5,547
Net book value 30.9.95	13,142	91,273	1,457	105,872
Net book value 30.9.94	13,142	90,581	1,486	105,209

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

10. Investments

(a) Investment properties

	£'000
Valuation as at 1.10.94	120,842
Additions in year	294,590
Revaluations	(8,381)
Valuation as at 30.9.95	407,051

Valuations as at 30.9.95 are either at cost, where purchased close to the balance sheet date, or at an estimated open market value provided by Messrs Fuller Peiser, Property Consultants, 3-4 Holborn Circus, London EC1N 2HL.

(b) Wellcome plc

During the year the Trustee disposed of its remaining shareholding in Wellcome plc to Glaxo plc – see note 1(k). Profit on disposal is calculated as follows

	£'000
Proceeds	
Cash	2,480,792
Glaxo shares at £7.06 each	1,140,134
	3,620,926
Less expenses incurred on disposal	(19,624)
	3,601,302
Book value of shares (par value)	(85,900)
Net gain	3,515,402
Gains taken in prior years	(2,145,782)
Gain in year	1,369,620

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

10. Investments (continued)

(c) Other quoted investments

Cost as at 30.9.94		Market Value 1.10.94	Purchases	Sales Proceeds	Gains/ (Losses)	Market Value 30.9.95	Cost as at 30.9.95
£'000		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest							
419,250	UK	407,904	3,300,335	2,234,449	37,648	1,511,438	1,502,936
172,265	Overseas	161,716	332,889	361,503	2,489	135,591	148,859
Equities							
1,439,510	UK	1,744,694	2,076,373	419,180	404,463	3,806,350	3,164,663
160,797	Europe	184,124	234,517	113,869	40,592	345,364	295,195
84,999	N America	88,948	203,621	113,228	35,480	214,821	185,202
85,622	Japan	101,970	205,556	38,907	(9,626)	258,993	252,562
61,773	Far East	97,150	124,636	19,604	(335)	201,847	170,526
21,589	Australasia	23,305	35,757	8,608	2,833	53,287	49,908
15,802	Latin America	14,973	1,351	5,940	(3,722)	6,662	9,372
328	Other	461	139	-	407	1,007	467
2,461,935	Total	2,825,245	6,515,174	3,315,288	510,229	6,535,360	5,779,690

UK equity purchases include £1,140 million in respect of shares in Glaxo Wellcome plc acquired as part consideration for the sale of shares in Wellcome plc – see note 10(b). At 30 September 1995 the Trust's total holding in Glaxo Wellcome amounted to some 4.7% of that company's issued share capital.

Gains/(losses) in the year of £510 million comprise net realized gains over cost of £118 million and net unrealized gains of £392 million.

Futures contracts held at the balance sheet date have been included above at the value of the underlying asset, amounting to a market value of £30.5 million (1994: £20.7 million) and cost of £30.7 million (1994: £22.0 million).

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

10. Investments (continued)

(d) Unquoted investments

Venture capital	£'000
Valuation as at 1.10.94	4,918
Purchases	23,550
Sales proceeds	(972)
Realized gains	10
Valuation as at 30.9.95	27,506

Venture capital investments have been valued at cost, which in the opinion of the Trustee, based on the recommendations of investment advisers, is appropriate at this stage of the investments.

11. Debtors

	1995	1994
	£'000	£'000
Investments	16,858	12,153
Income tax recoverable	2,379	1,760
Other debtors	21,099	6,484
Prepayments	760	1,205
Accrued income	86,630	54,012
	127,726	75,614

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

12. Creditors amounts falling due within one year

	1995	1994
	£'000	£'000
Grant commitments – see note 2(a)	346,117	283,996
Trade creditors	6,613	8,654
Investments	18,633	11,211
Other creditors	1,920	805
Accruals	2,715	1,649
Deferred income	5,060	2,020
	<u>381,058</u>	<u>308,335</u>

13. Creditors amounts falling due after one year

	1995	1994
	£'000	£'000
Grant commitments – see note 2(a)	<u>268,994</u>	<u>320,165</u>

14. Capital Commitments

The Trust has entered into contracts to make investments in venture capital undertakings. At the balance sheet date outstanding commitments amounted to some £90 million.

During the year the Trust contracted to purchase an estate of mixed commercial and residential property situated in Kensington, London from Henry Smith's Charity. Under the Landlord and Tenant Act 1987, certain residents have the right to purchase the freeholds of the properties they occupy. Dependent on whether they exercise those rights the Trust may or may not acquire the properties in question. At the balance sheet date property contracted for but not yet purchased amounted to some £93 million.

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995 (continued)

15. Genome Research Limited

Genome Research Limited is a company limited by guarantee, of which the members are The Wellcome Trust Limited and Sir Roger Gibbs. It is a non-profit-making registered charity whose purpose is to run the Sanger Centre, an establishment undertaking medical research, primarily in the field of genetics. Funding is provided both by The Wellcome Trust and the Medical Research Council, each of whom have representatives on the company's board.

Results of this associated company for the year to 30 September 1995 were

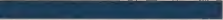
	1995	1994
	£'000	£'000
Income		
Grants receivable	10,863	6,551
Interest receivable	103	46
	10,966	6,597
Expenditure		
Research costs	8,776	4,640
Support costs	2,190	1,957
Result for year	Nil	Nil

The Trust approved, in previous years, awards amounting to £46.5 million in respect of the running costs, capital and revenue of the Sanger Centre until 1997. These awards were provided in the Trust's accounts in those years, consistent with the grant accounting policy.

In addition, the Trust has approved a grant to fund the construction of new laboratory facilities at Hinxton Hall, which are being developed by Genome Research Limited. The amount approved by the Trust to date is £50.5 million, of which £5.5 million has been provided in this year's accounts.

16. Hinxton Hall Limited

Hinxton Hall Limited is a company limited by guarantee and a registered charity. The members of the company are The Wellcome Trust Limited and Genome Research Limited. It was set up in May 1995 to manage the site services at Hinxton Hall and, in particular, to develop and run conference facilities for the benefit of the research establishments working there. During the year the Trust awarded a grant of £15 million to Hinxton Hall Limited for the development of these facilities. The first accounts for Hinxton Hall Limited will be produced for the period to 31 December 1995.



Further copies of this *Annual Report and Accounts* are available, without charge, from:

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